

A CRITIQUE OF BENETTI'S CRITIQUE OF MARX'S DERIVATION OF THE NECESSITY OF MONEY

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Carlo Benetti's critique of Marx's derivation of the necessity of money (Benetti 1990, pp. 163-69) is well known in Mexico and widely accepted (e.g. Hernandez) (although not universally accepted; e.g. Robles).¹ Very succinctly put, Benetti's critique is that Marx's derivation of the general form of value by "inverting" the expanded form of value is logically flawed; more precisely, that the "inversion" of the expanded form of value does not yield the general form of value, but instead yields the same expanded form of value.

This note argues that Benetti's critique is itself logically flawed for two main reasons: Benetti misinterprets Marx's concept of the expanded form of value and Benetti misinterprets the logic of Marx's derivation of the general form of value. I conclude that Marx's derivation of the necessity of money as the general form of appearance of the value of commodities is logically sound and that Marx's theory is in fact the only economic theory that is able to derive the necessity of money from its fundamental value theory. I regard this to be a very significant relative strength of Marx's theory.

I will first briefly review Benetti's critique and will then present my critique of Benetti's critique.

BENETTI'S CRITIQUE

For an economy with n commodities, Benetti defines the “expanded form of value” as the complete set of n expressions of the value of all n commodities - each in terms of all other $(n - 1)$ commodities as particular equivalents. For example, for an economy with three commodities, the expanded form of value, according to Benetti, consists of the following $n(n - 1)$ equations:

$$\begin{aligned}x \text{ commodity A} &= y \text{ commodity B} \\x \text{ commodity A} &= z \text{ commodity C} \\y \text{ commodity B} &= x \text{ commodity A} \\y \text{ commodity B} &= z \text{ commodity C} \\z \text{ commodity C} &= x \text{ commodity A} \\z \text{ commodity C} &= y \text{ commodity B}\end{aligned}$$

Benetti's critique is that, if this expanded form of value is “inverted” (i.e. all equations reversed), then one arrives at the same set of six equations, with the same six particular equivalents, not at the general form of value, in which the value of all commodities but one is expressed in terms of one and the same general equivalent. If Benetti's definition of Marx's concept of the expanded form of value were correct, than his critique would valid.

BENETTI'S MISUNDERSTANDING OF MARX'S CONCEPT OF THE EXPANDED FORM OF VALUE

I argue that Benetti's critique is based on a simple misunderstanding of Marx's concept of the expanded form of value. For Marx, the expanded form of value is not the complete set of n equations, as Benetti argues, but is instead the expression of the value of a each individual commodity in terms of all other commodities. Thus there are n expanded forms of value, one for each commodity, not one expanded form of value for all commodities. This definition of the expanded form of value is clearly seen by a reexamination of Marx's text in Section 3. Marx's discussion throughout is in terms of the expanded form of value of a single commodity, mostly the commodity linen. Both the simple form of value and the expanded form of value are forms of appearance of the value of a single commodity. The difference between the simple form and

the expanded form is that, in the simple form, the value of a single commodity (linen for example) is expressed in terms of one other commodity, as a particular equivalent, whereas in the expanded form, the value of the same single commodity is expressed simultaneously in terms of all other commodities, as (n - 1) particular equivalents. The same single commodity (linen) still functions in the “relative form” of the expression of value, but now there are (n - 1) other commodities in the “equivalent form,” rather than just one other commodity. But in a given expanded form, there are not (n - 1) commodities that function in the “relative form”. Each commodity has its own expanded form of value; there is not one expanded form of value for all commodities together.

This similarity and difference between the simple form of value and the expanded form of value is stated very clearly in Marx’s transition from the simple form to the expanded form.

The simple form of value automatically passes over into a more complete form. Admittedly, this simple form only expresses the value of a commodity A in one commodity of another kind. But what this second commodity is, whether it is a coat, iron, corn, etc. is a matter of complete indifference. Therefore different simple expressions of value of one and the same commodity arise according to whether that commodity enters into a value-relation with this second commodity or another kind of commodity. The number of such possible expressions is limited only by the number of the different kinds of commodities distinct from it. The isolated expression of A’s value is thus transformed into the indefinitely expandable series of different simply expressions of that value. (Marx 1977, p. 154; emphases added)

In the next paragraph, the expanded form of value is then defined as the (n - 1) expressions of the value of the commodity A, with the specific example of linen:

The Total or Expanded Form of Value

z commodity A = u commodity B or = v commodity C or = w commodity D
or = x commodity E or = etc.

(20 yards of lines = 1 coat or = 10 lb. tea or = 40 lb. coffee or = 1 quarter of corn or = 2 ounces of gold or = _ ton of iron or = etc.) (Marx 1977, pp. 154-55)

Thus we can see that the expanded form of value is defined as the value of a given commodity (e.g. commodity A or linen) expressed in terms of all other commodities, whereas the simple form of value is defined as the value of a given commodity expressed in terms of one other commodity.

This similarity and difference between the simple form and the expanded form (both are expressions of value of a given commodity, but with one or with (n - 1) equivalents) is clearly stated several times in the pages that follow, including:

The two previous forms (let us call them A and B) only amounted to the expression of the value of a commodity as something distinct from its own use-value ...

The second form, B, distinguishes the value of a commodity from its own use-value more adequately than the first ...

The two earlier forms express the value of each commodity either in terms of a single commodity of a different kind, or in a series of many commodities which differ from the first one. (Marx 1977, p. 158)

The simple or isolated relative form of value of one commodity converts some other commodity into an isolated equivalent. The expanded relative form of value, that expression of the value of one commodity in terms of all other commodities, imprints those other commodities with the form of particular equivalents of different kinds.

In form B, only one commodity at a time can completely expand its relative value, and it only possesses this expanded relative form of value because, and in so far as, all other commodities are, with respect to it, equivalents. (Marx 1977, p. 160; emphases added)

Could Marx's definition of the expanded form of value be more clearly stated than "that expression of the value of one commodity in terms of all other commodities"?

Furthermore, Marx's "inversion" of the expanded form is also clearly stated in terms of a single commodity, the commodity linen:

The expanded relative form of value is nothing by the sum of the simple relative expressions of equations of the first form, such as:

20 yards of linen = 1 coat
20 yards of linen = 10 lb. of tea, etc.

However, each of these equations implies the identical equation in reverse:

1 coat = 20 yards of linen

10 lb. of tea = 20 yards of linen, etc.

...

If, then we reverse the series 20 yards of linen = 1 coat, or = 10 lb. of tea, etc, i.e. if we give expression to the converse relation already implied in the series, we get:

(c) The General Form of Value ... (Marx 1977, p. 157)

Notice that Marx said “if we reverse the series 20 yards of linen = ...”; he did not say if we reverse (n - 1) expressions of value as the expanded form. Marx’s conclusion clearly follows from his definition of the expanded form of value. The inversion of Marx’s expanded form of value, as the form of appearance of the value of a single commodity, clearly results in the general form of value.²

One could of course define something called the “expanded form of value” as the simultaneous expressions of value of all n commodities, as Benetti does. And then an inversion of this different “expanded form” would indeed yield the same “expanded form”. However, this would not be Marx’s theory; this is not how Marx himself defined the expanded form. Therefore, it is not a legitimate argument to attribute this other definition to Marx and then to criticize “Marx’s” transition from this different “expanded form” to the general form. Benetti himself acknowledges that, if the expanded form of value is defined in terms of a single commodity, as I argue Marx did, then the inversion of the expanded form of value “works”, i.e. it results in the general form (p. 160). I think it should be clear that this is precisely how Marx defined the expanded form.

Benetti provides one passage from Section 3 of Chapter 1 to support his interpretation of the expanded form of value. This passage is the following:

If, as must be the case, the relative form of value of each commodity is expressed in this expanded form, it follows that the relative form of value of each commodity is an endless series of expressions of value which are all different from the relative form of value of every other commodity. (Marx 1977, 156; emphases added)³

I think it is clear that this passage supports my interpretation and contradicts Benetti's interpretation of Marx's expanded form of value. This passage does not say that the expanded form is defined as the set of all n expressions of value. Rather, this passage says that each commodity has a different expanded form of value. This argument implies that there are n expanded forms of value, one for each commodity, not one expanded form. If there were only one expanded form, as Benetti argues, then the expanded form could not be different from other expanded forms. The very fact that there are differences between the expanded forms implies that there are multiple expanded forms, not just one expanded form.

Indeed, these differences between the multiple expanded forms is the main point of Marx's analysis of the expanded form - this is the main "defect" of the expanded form, the reason why the expanded form is not an appropriate expression of the value of commodities. The expanded form of value is not a single, unified expression of value. Each commodity has its own expanded form of value, with its own set of equivalent commodities, which is different from the expanded form of value of all other commodities. This is why the derivation of the appropriate form of value must continue. This derivation of course finally ends in the general form of value and the general equivalent.

Benetti also presents one additional passage from Chapter 2 of Volume 1 of Capital as evidence that Marx himself was aware that the universal equivalent cannot be derived by an inversion of the expanded form. The passage is the following:

To the owner of a commodity, every other commodity counts as the particular equivalent of his own commodity. Hence his own commodity is the universal equivalent for all the others. But since this applies to every owner, there is in fact no commodity acting as universal equivalent, and the commodities possess no general relative form of value under which they can be equated as values and have the magnitude of their values compared. Therefore they definitely do not confront each other as commodities, but as products or use-values only.
(Marx 1977, p. 180)

However, this passage and the surrounding discussion does not call into question Marx's prior derivation of the general form of value in Chapter 1, but rather presupposes that derivation.

Chapter 2 is about how the theoretical necessity of money, already derived in Chapter 1, is perceived by commodity-owners and how particular commodities come to function as the universal equivalent in actual exchange economies. Marx's earlier derivation of the necessity of money in Chapter 1 has nothing to do with the perceptions of commodity-owners. The necessity of money is derived solely from the objective nature of the value of commodities - that the value of each commodity is qualitatively equal and quantitatively proportional to the value of all other commodities.

The opening paragraph of Chapter 2 dramatizes (in Marx's characteristic fashion) the transition from the derivation of the necessity of money from the objective properties of commodities to the subjective intentions and perceptions of individual commodity-owners:

Commodities cannot themselves go to market and perform exchanges in their own right. We must, therefore, have recourse to their guardians, who are the possessors of commodities... In order that these objects may enter into relation with each other as commodities, their guardians must place themselves in relation to one another as persons whose will resides in these objects, and must behave in such a way that each does not appropriate the commodity of the other, and alienate his own, except through an act to which both parties consent. The guardians must therefore recognize each other as owners of private property...

As we proceed to develop our investigation, we shall find, in general, that the characters who appear on the economic stage are merely personifications of economic relations; it is as bearers of these economic relations that they come into contact with each other. (Marx 1977, pp. 178-79)

This last sentence is an important statement of Marx's overall logical method, which is to analyze capitalism in terms of its objective characteristics and relations, and to derive the actions and consciousness of individuals from these objective characteristics and relations, not the other way around.

Marx then went on to discuss the contradiction inherent in commodity production that the producers of commodities must exchange their commodities (which they do not want to consume) for other commodities (which that do wish to consume). Benetti's passage follows on the next page, and states that, from the perspective of individual commodity-owners, his own commodity serves as a universal equivalent of all other commodities; however, since every other

commodity-owner views his commodity in the same way, there is in fact no universal equivalent, from the perspectives of these individual commodity-owners. The paragraph which follows Benetti's passage begins as follows:

In their difficulties our commodity-owners think like Faust: 'In the beginning was the deed.' They have therefore already acted before thinking. The natural laws of the commodity have manifested themselves in the natural instinct of the owners of commodities. They can only bring their commodities into relation as values, and therefore as commodities, by bringing them into an opposing relation with some one other commodity, which serves as the universal equivalent. We have already reached that result by our analysis of the commodity. But only the action of society can turn a particular commodity into a universal equivalent. The social action of all other commodities, therefore, sets apart the particular commodity in which they all represent their values. (Marx 1977, p. 180; emphases added)

Here Marx is saying that the objective laws of the commodity already derived in Chapter 1 (the necessity of money) manifest themselves instinctively in the perceptions and actions of the commodity-owners. In order to relate their commodities to each other as values, the commodity-owners must choose one commodity to serve as the universal equivalent, which measures the value of all other commodities. Marx is not here acknowledging some difficulty in his theoretical derivation of the necessity of money in Chapter 1, as Benetti argues. That derivation is assumed to have been successfully accomplished and does not depend in any way on the perceptions of individuals in any way. ("We have already achieved that result by our analysis of the commodity.") Rather, Marx is here discussing how this theoretical result - already derived - manifests itself in an actual commodity economy. Therefore, this paragraph provides no evidence whatsoever to support Benetti's interpretation that Marx himself was aware of a logical problem in his derivation of the general form of value in Chapter 1.

BENETTI'S MISUNDERSTANDING OF MARX'S LOGIC

The fundamental reason why Benetti misunderstands Marx's concept of the expanded form of value is that he fundamentally misunderstands the overall purpose and logic of Marx's analysis of the forms of value in Section 3 of Chapter 1. Benetti interprets Marx's analysis of the

forms of value as an analysis of generalized commodity exchange, similar in this respect to general equilibrium theory, and as an attempt to identify the necessary conditions for effective generalized exchange (pp. 164-66). From this perspective of a system of generalized commodity exchange, it makes sense to define the “expanded form of value” as the complete set of $n(n - 1)$ possible exchange ratios between the n commodities. From this perspective, the question is whether such a generalized system of commodity exchange is possible without a general equivalent (the answer is of course no).

However, Marx did not derive the necessity of a general equivalent from an analysis of the necessary conditions of a general system of commodity exchange. Instead, Marx derived the necessity of a general equivalent from his labor theory of value, and in particular from the necessity for the value of commodities to acquire an objective form of appearance that makes the value of each commodity comparable with the value of all other commodities. Since the value of commodities is by its nature (abstract homogeneous labor) comparable across commodities (that is, qualitatively equal and quantitatively proportional), the form of appearance of value must also be comparable across commodities. For this purpose of evaluating the comparability of the value of each commodity with the value of all other commodities, the various forms of appearance of value considered by Marx in Section 3 are defined as the forms of appearance of the value of each, individual commodity. If there are n commodities, then there are n forms of appearance of the values of these n commodities, one for each commodity. And Marx’s question is whether or not these n forms of appearance are comparable. The expanded form of value cannot be defined in terms of all n commodities together (as Benetti argues), because that would not allow for a comparison of the form of appearance of each commodity with the form of appearance of all other commodities.

To very briefly review Marx’s derivation of the necessity of money (or the general form of value) from the necessity of the value of commodities to acquire a form of appearance that is comparable across commodities: The simple form of value of a given commodity (e.g. linen) expresses its value in terms of one other commodity. However, this simple form of value of a

given commodity does not allow for a comparison of the value of this commodity with the value of all other commodities, because the simple form of value of other commodities may express their values in terms of different equivalent commodities. This is the “insufficiency” of the simple form of value:

The expression of the value of commodity A in terms of any other commodity merely distinguishes the value of A from its use-value, and therefore merely places A in an exchange-relation with any particular single different kind of commodity, instead of representing A’s qualitative equality with all other commodities and its quantitative proportionality to them. (Marx 1977, p. 154; emphases added)

As we have seen above, the expanded form of value expresses the value of the same given commodity, but in this case, not in terms of only one other commodity, but rather in terms of all other commodities. This is a more adequate expression of the value of the given commodity, because its value is equated with the value of all other commodities. However, this expanded form of value of the given commodity still does not give to the value of this commodity a form of appearance that is comparable with the value of all other commodities, because the expanded form of value of other commodities expresses their values in terms of different equivalent commodities. This is the “defect” of the expanded form of value:

... the relative form of value of each commodity is an endless series of expressions of value which are all different from the relative form of value of every other commodity. (Marx 1977, p. 156)

The reader will recall that this is the passage that Benetti cites to support his interpretation and that I have argued supports my interpretation instead. I think it is even clearer within the context of Marx’s overall logic in Section 3 that the expanded form of value must be defined for each commodity in order to determine whether this form of appearance of the value of each commodity is comparable with the form of appearance of the value of all other commodities. It would make no sense to define the expanded form of value as the set of $n(n - 1)$ exchange ratios of the n commodities, because no such comparison would be possible.

Finally, the general form of value is also defined in terms of each commodity, i.e. there are $(n - 1)$ general forms of value, one for each commodity except the general equivalent.

However, the crucial difference is that these $(n - 1)$ general forms of value all have the same equivalent commodity. Having the same equivalent commodity makes the $(n - 1)$ general forms of value comparable, which therefore makes the general form of value an adequate, appropriate form of appearance of the value of commodities.

Therefore, the expanded form of value, like the simple form of value and the general form of value, must be defined in terms of each commodity, because the objective of Marx's analysis is to derive the precise form of appearance of the value of each commodity that makes it comparable with the form of appearance of the value of all other commodities. This comparison of the forms of appearance of the values of each and every commodity is not possible if the expanded form of value is defined as the $n(n - 1)$ exchange ratios of the n commodities, as Benetti does. In this case, there is only one expanded form of value, and it is not possible to compare the expanded form of appearance of different commodities.

CONCLUSION

I conclude in general that Benetti's critique of Marx's derivation of the general form of value is not valid. Benetti's critique is based on a misinterpretation of the expanded form of value that is clearly contradictory to Marx's text and to the overall purpose and logic of Marx's derivation. Contrary to Benetti, Marx's theory is successful in deriving the necessity of money from his fundamental value theory. This is a very significant and singular achievement. Marx's theory is the only economic theory that is able to derive the necessity of money from its theory of value. In particular, neoclassical theory has not been able to explain the necessity of money on the basis of its utility theory of value⁴. Benetti and Cartelier also criticize neoclassical theory, in parallel fashion to their critique of Marx's theory, for its inability to derive the necessity of money from its value theory. From this Benetti and Cartelier conclude that it is in general not possible to derive the necessity of money from any theory of value. Instead, money should simply be postulated as a basic assumption of the theory. I agree with their critique of neoclassical theory, but not with their critique of Marx's theory. As I have shown, Marx's

theory is able to successfully derive money from its theory of value. Therefore, it is not necessary to take recourse to a simple postulation of money, as Benetti and Cartelier do. Money can be explained and understood as the necessary form of appearance of the value of commodities (abstract labor). Such an integrated explanation is clearly superior to the simple postulation that Benetti and Cartelier suggest.

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ENDNOTES

¹ Benetti's critique was developed along with co-author Jean Cartelier and has been published in various publications in French and English as well as Spanish (please see references). I will refer to Benetti's and Cartelier's critique as "Benetti's critique" both as a short-hand expression and because that is how it is known in Mexico.

² . Marx's inversion of the expanded form of value, defined in terms of a single commodity, is also clearly seen in the continuation of the passage quoted above from p. 160:

Here we can no longer reverse the equation 20 yards of linen = 1 coat without altering its whole character and converting it from the expanded form of value to the general form of value. (emphasis added)

³ . Benetti presents the following Spanish translation of this passage:

Si el valor relativo [de cada mercancía] se expresa, como necesariamente tiene que expresarse, en esta forma total, la forma relativo de valor de cada mercancía se exprese por una serie infinita de expresiones de valor distintas de la forma relative de valor de cualquiera otra mercancía. (Benetti, pp. 166-67)

The important phrase in brackets [of each commodity] is missing in Benetti's Spanish translation.

⁴ . This failing is acknowledged by Frank Hahn, one of the leading neoclassical economists, in the following statement: "The most serious challenge that the existence of money poses to the theorist is this: the best developed model of the economy cannot find room for it." (Hahn 1983, p. 1) By "best developed model", Hahn means neoclassical general equilibrium theory.